

FDIC State Profile

Summer 2005

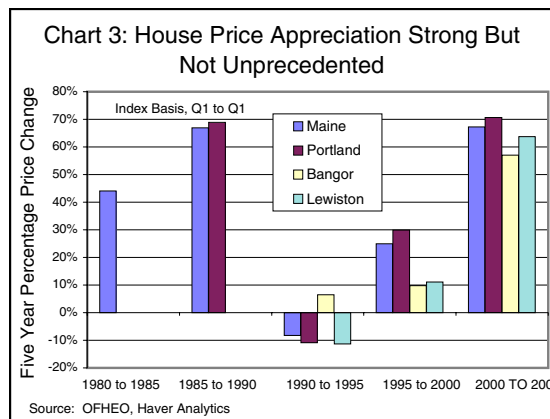
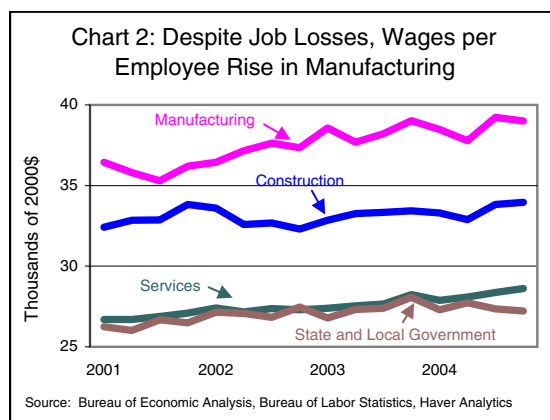
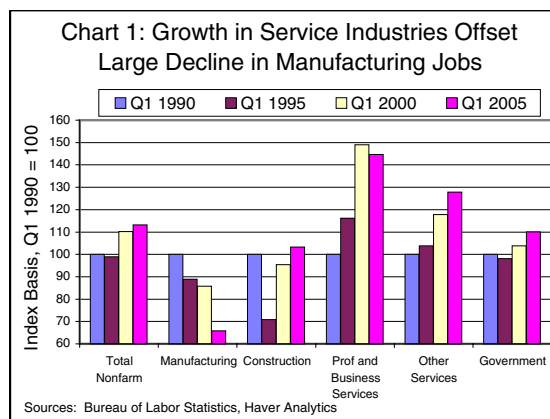
Maine

Employment has grown modestly so far this year; transformation to a “service” economy continues.

- Through first quarter 2005, manufacturing employment eased slightly, construction employment increased marginally, and service employment rose in some sectors. On a longer term basis, employment has improved. While hardly robust, employment in Maine during the first quarter was higher than five years earlier despite the recession of 2001, and was 13 percent higher than in early 1990 (See Chart 1).
- Throughout New England, as in most of the country, the manufacturing sector continues to shrink in terms of employment. As of first quarter 2005, Maine's manufacturing sector, was slightly less than two-thirds of the size it was in early 1990, representing a loss of 32,300 jobs. This decline, while steep in comparison with other sectors, was similar to most other New England states, except New Hampshire and Vermont where declines were noticeably less.
- By contrast, the growth of service jobs has been strong. Professional and business services grew significantly in both the first half and, especially, the second half of the 1990s, although minor losses occurred during the most recent five years. Overall, the 45 percent increase in employment in this service sector was very impressive. Growth in other services also has been relatively strong, including over the most recent five-year period.

Maine's residents continue to have personal income per capita somewhat below the nation.

- Personal income per capita in Maine continues to be the lowest in New England, but its standing at 31st nationally as of 2004 has increased over time. Growth in personal income per capita in Maine during the year at 4.9 percent was 27th highest in the country, just above the national average of 4.8 percent. In 2003, growth in income was ninth highest nationally.
- The 2001 recession resulted in reduced real wages and salaries for Maine's manufacturing and construction workers (See Chart 2). Over the past two years, real wages



State Profile

and salaries in sectors outside of state and local government rose as the economy improved.

House price appreciation remains significant in Maine.

- During the past five years, housing prices have risen an impressive 62 percent. However, the cyclical nature of the housing market is clearly shown in the changing price performance over the past 25 years (See Chart 3). The recent robust rate of price appreciation may be challenged by rising mortgage rates in the future.
- The **Bangor** metropolitan area has led the state in the past year ending first quarter 2005 and other areas with gains just below 16 percent. By contrast, **Lewiston-Auburn** and **Portland-South Portland** metropolitan areas had increases just above the state average of 14 percent. Overflow from New Hampshire's more expensive real estate is driving some markets in southern parts of the state while second homes and retirees are boosting prices along the coast line (See Map 1). A recent study by the FDIC identified 55 "boom" markets nationwide including the greater Portland area outlined in red on the map.¹
- The possible closing of the Portsmouth Naval Shipyard and loss of some 4,545 civilian jobs may adversely affect house prices in southern Maine and the New Hampshire seacoast area.

Maine's insured institutions report lower residential loan delinquencies than other lenders.

- Delinquent residential (1-4 family) loans in Maine's insured institutions remain near historic lows and were less than 1 percent as of first quarter 2005 (See Chart 4).
- Residential loans issued by the Department of Veterans Affairs (VA) and the Federal Housing Administration (FHA) nationally have not exhibited the improvement in loan quality that Maine's insured institutions have shown. VA loans remain near past-due levels reported in early 1991, while FHA past-due loans have increased. The national delinquency level of subprime loans is also well above Maine's delinquency rates.

Earnings reduced as noninterest income and gains on security sales decline.

- Maine's community institutions² continue to be profitable, but experienced a substantial 16-basis point decline in net earnings year-over-year as of first quarter 2005 (See

Table 1). The decline was attributable to reduced gains on the sale of securities, which positively affected earnings throughout 2004. Additionally, gains on sales of other assets were substantially below prior levels.

- Community institutions reported a slight improvement in net interest margins in first quarter 2005 as interest rates began to increase late in 2004, having a positive effect on asset yields. Because of the increase in interest rates, funding costs also began to increase but not as rapidly as asset yields.

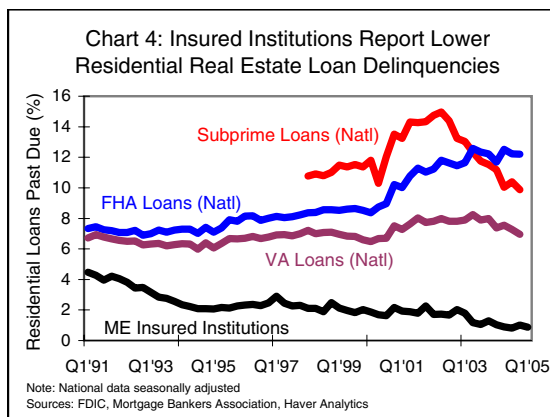
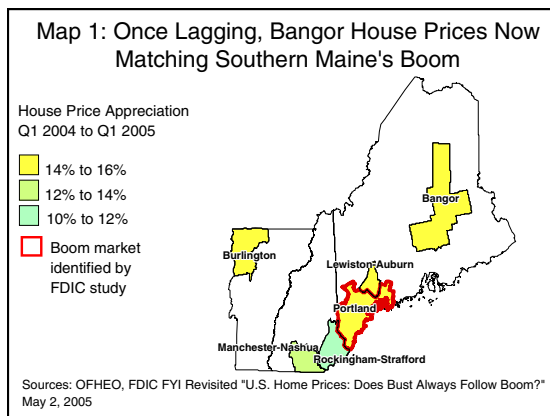


Table 1: Earnings Hampered by Declines in Noninterest Income and Gains on Security Sales

| Percentage of Average Assets | First Quarter | | Basis Point Change |
|------------------------------|---------------|------|--------------------|
| | 2004 | 2005 | |
| Net Interest Income | 3.56 | 3.58 | 0.02 |
| Noninterest Income | 0.88 | 0.69 | -0.19 |
| Noninterest Expense | 2.92 | 2.91 | -0.01 |
| Provision Expense | 0.10 | 0.07 | -0.03 |
| Security Gains & Losses | 0.19 | 0.07 | -0.12 |
| Income Taxes | 0.51 | 0.43 | -0.08 |
| Net Income (ROA) | 1.10 | 0.94 | -0.16 |
| Net Interest Margin (NIM) | 3.84 | 3.86 | 0.02 |

Note: Aggregate data for institutions with assets <\$1 billion. Excludes specialty institutions and de novos.
Source: FDIC

¹Cynthia Angell and Norman Williams, FDIC FYI Revisited: "U.S. Home Prices: Does Bust Always Follow Boom?" May 2, 2005. <http://www.fdic.gov/bank/analytical/fyi/2005/050205fyi.html>. A boom market is defined as one in which inflation-adjusted home prices rose by at least 30 percent during the 2001-2004 period.

²Insured institutions with assets of less than \$1 billion, excluding institutions less than three years old and specialty institutions.

Maine at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

| Employment Growth Rates | Q1-05 | Q1-04 | Q1-03 | Q1-02 | Q1-01 |
|--|--------------|--------------|--------------|--------------|--------------|
| Total Nonfarm (share of trailing four quarter employment in parentheses) | 1.0% | 1.0% | -0.1% | -0.8% | 1.7% |
| Manufacturing (10%) | -0.2% | -3.1% | -6.8% | -10.8% | -4.2% |
| Other (non-manufacturing) Goods-Producing (5%) | 0.5% | 5.0% | 2.0% | -2.5% | 2.8% |
| Private Service-Producing (67%) | 1.2% | 1.4% | 0.7% | 0.8% | 2.7% |
| Government (17%) | 0.7% | 0.7% | 1.0% | 1.5% | 2.1% |
| Unemployment Rate (% of labor force) | 4.6 | 4.7 | 4.9 | 4.2 | 3.3 |

| Other Indicators | Q1-05 | Q1-04 | Q1-03 | Q1-02 | Q1-01 |
|--|--------------|--------------|--------------|--------------|--------------|
| Personal Income | N/A | 4.8% | 3.8% | 4.0% | 6.8% |
| Single-Family Home Permits | 4.2% | 28.7% | -6.3% | 37.8% | -12.5% |
| Multifamily Building Permits | 24.4% | 25.3% | -22.8% | 66.2% | 1.4% |
| Existing Home Sales | 6.9% | 3.5% | -1.0% | 15.5% | -3.2% |
| Home Price Index | 14.1% | 10.6% | 9.9% | 9.1% | 10.5% |
| Bankruptcy Filings per 1000 people (quarterly level) | 0.80 | 0.85 | 0.83 | 0.80 | 0.80 |

BANKING TRENDS

| General Information | Q1-05 | Q1-04 | Q1-03 | Q1-02 | Q1-01 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Institutions (#) | 37 | 40 | 40 | 39 | 41 |
| Total Assets (in millions) | 42,812 | 40,843 | 39,107 | 32,419 | 15,246 |
| New Institutions (# < 3 years) | 1 | 1 | 1 | 0 | 0 |
| Subchapter S Institutions | 0 | 0 | 0 | 0 | 0 |

| Asset Quality | Q1-05 | Q1-04 | Q1-03 | Q1-02 | Q1-01 |
|--|--------------|--------------|--------------|--------------|--------------|
| Past-Due and Nonaccrual Loans / Total Loans (median %) | 1.14 | 1.19 | 1.38 | 1.64 | 2.07 |
| ALLL/Total Loans (median %) | 1.13 | 1.18 | 1.18 | 1.18 | 1.11 |
| ALLL/Noncurrent Loans (median multiple) | 2.80 | 2.76 | 1.72 | 1.48 | 1.24 |
| Net Loan Losses / Total Loans (median %) | 0.06 | 0.07 | 0.06 | 0.09 | 0.08 |

| Capital / Earnings | Q1-05 | Q1-04 | Q1-03 | Q1-02 | Q1-01 |
|--|--------------|--------------|--------------|--------------|--------------|
| Tier 1 Leverage (median %) | 9.34 | 9.23 | 8.73 | 8.74 | 9.21 |
| Return on Assets (median %) | 0.87 | 1.00 | 0.97 | 0.95 | 0.84 |
| Pretax Return on Assets (median %) | 1.30 | 1.47 | 1.45 | 1.42 | 1.25 |
| Net Interest Margin (median %) | 3.98 | 4.03 | 4.01 | 4.16 | 4.07 |
| Yield on Earning Assets (median %) | 6.92 | 6.89 | 7.05 | 7.23 | 7.42 |
| Cost of Funding Earning Assets (median %) | 2.99 | 2.93 | 3.04 | 3.18 | 3.56 |
| Provisions to Avg. Assets (median %) | 0.11 | 0.10 | 0.12 | 0.12 | 0.12 |
| Noninterest Income to Avg. Assets (median %) | 0.57 | 0.64 | 0.62 | 0.64 | 0.58 |
| Overhead to Avg. Assets (median %) | 3.17 | 3.21 | 3.19 | 3.16 | 3.13 |

| Liquidity / Sensitivity | Q1-05 | Q1-04 | Q1-03 | Q1-02 | Q1-01 |
|--|--------------|--------------|--------------|--------------|--------------|
| Loans to Assets (median %) | 76.3 | 73.5 | 71.0 | 70.5 | 71.2 |
| Noncore Funding to Assets (median %) | 26.8 | 25.3 | 22.5 | 23.5 | 21.7 |
| Long-term Assets to Assets (median %, call filers) | 27.8 | 25.0 | 28.0 | 24.8 | 26.9 |
| Brokered Deposits (number of institutions) | 15 | 17 | 12 | 11 | 8 |
| Brokered Deposits to Assets (median % for those above) | 3.8 | 2.3 | 3.7 | 1.4 | 2.5 |

| Loan Concentrations (median % of Tier 1 Capital) | Q1-05 | Q1-04 | Q1-03 | Q1-02 | Q1-01 |
|---|--------------|--------------|--------------|--------------|--------------|
| Commercial and Industrial | 59.7 | 59.2 | 65.2 | 71.0 | 66.2 |
| Commercial Real Estate | 224.0 | 205.4 | 172.9 | 178.0 | 168.7 |
| <i>Construction & Development</i> | 20.3 | 16.6 | 19.2 | 13.0 | 11.8 |
| <i>Multifamily Residential Real Estate</i> | 8.1 | 8.7 | 6.9 | 6.9 | 7.3 |
| <i>Nonresidential Real Estate</i> | 176.6 | 166.8 | 153.9 | 143.6 | 138.9 |
| Residential Real Estate | 449.5 | 414.8 | 401.5 | 411.3 | 381.2 |
| Consumer | 29.3 | 26.9 | 38.0 | 44.0 | 42.9 |
| Agriculture | 0.2 | 0.4 | 0.7 | 0.9 | 0.5 |

BANKING PROFILE

| Largest Deposit Markets | Institutions in Market | Deposits (\$ millions) | Asset Distribution | Institutions |
|---------------------------------------|-------------------------------|-------------------------------|------------------------------|---------------------|
| Portland-South Portland-Biddeford, ME | 23 | 7,095 | < \$250 million | 14 (37.8%) |
| Bangor, ME | 10 | 1,614 | \$250 million to \$1 billion | 20 (54.1%) |
| Lewiston-Auburn, ME | 11 | 1,129 | \$1 billion to \$10 billion | 2 (5.4%) |
| | | | > \$10 billion | 1 (2.7%) |